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Executive P. 25X1

82-2288

3 February 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: []

Director of Global Issues

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SUBJECT: Impact of an Embargo on US Agricultural
Products to the USSR []

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1. Action Requested: None. This memorandum provides information on the result of a unilateral US embargo on shipment of all agricultural products to the USSR. []

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2. Background: Faced with a third consecutive grain harvest failure and significant shortfalls in most of their other major crops, the Soviets are likely to import record quantities of grain, soybeans, meat, sugar and vegetable oil during the marketing year ending 30 June. The USSR, however, has limited its purchases of US agricultural products primarily to grain.

Grain: Moscow will probably turn to the United States for 18 million tons of grain -- or for 40 percent of its total imports. Of this amount, the Soviets have already bought 12.5 million tons and taken delivery of 7 million tons.

Soybeans and Meal: The only other significant Soviet purchases of US agricultural products this year have been 677,000 tons of soybeans, which account for 20 percent of Moscow's total import requirement. About 200,000 tons have been shipped to the USSR through January.

Livestock Products: US exports of livestock products to the USSR -- limited exclusively to poultry meat -- are infrequent. Their share of total Soviet meat imports is negligible. For example, Soviet meat imports from the United States in 1981 equalled only 5,000 tons of a total of 900,000 tons. []

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A unilateral US embargo of all agricultural exports to the USSR would have little impact on Moscow beyond the inconvenience of rescheduling deliveries and switching to non-US suppliers. Given supplies already in the pipeline, ample time exists to workout new arrangements. Were the United States to embargo the 5 million tons of grain bought by the USSR but not yet delivered and some 5 million tons of additional purchases, about 10 million tons might initially be denied. Most, if not all, of this grain

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could be obtained elsewhere. In 1980 when world grain supplies were short, price premiums for Argentine corn reached as much as \$70-per-ton. This year, with abundant world supplies, Moscow would face much smaller premiums, perhaps no more than \$10-per-ton, or roughly \$100 million dollars in all. This would add marginally to their already serious hard currency problem.

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The amount of non-US coarse grain available to Moscow depends largely on the size of the current Argentine corn crop, which will not be harvested until March and April. This year's harvest now looks slightly above average at roughly 9 million tons. If the crop were to be much lower than this, the Soviets could have difficulty meeting their coarse grain needs from non-US sources after April. []

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Broadening a US embargo to include non-grain products would not appreciably worsen Moscow's problems. With plentiful stocks and favorable production estimates, Argentina and Brazil could easily fill the gap if the United States discontinued shipment of the remaining 500,000 tons of soybeans. []

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OGI/RD/AT: [REDACTED] (3Feb82)

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Distribution:

Orig - Addressee

1 - DDCI

1 - C/IAS/OPP

1 - ER

1 - NIO-at-Large

1 - DDO

1 - DDI

1 - ADDI

1 - DDI Registry

2 - D/GI

1 - C/OGI/RD

2 - C/OGI/RD/AT

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MEMORANDUM FOR:

DCI

H. Holt for [unclear]

In addition to your NSC book
on Poland

Jim concludes that unless we
can get Argentina, Brazil & Canada
to go along with a grain embargo,
our unilateral efforts could have
little effect.

4 FEB NSC
Poland

Date

4 Feb 82